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By: **Delegate Arnick**  
Introduced and read first time: January 23, 2003  
Assigned to: Environmental Matters

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A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Residential Leases - Interest on Security Deposits**

3 FOR the purpose of altering the interest rate paid on a security deposit under a  
4 residential lease; requiring the interest rate to be either the current statutory  
5 rate or the interest rate paid on the account per annum by the financial  
6 institution in which the security deposit is held, whichever is less; allowing for  
7 certain administrative expenses to be retained by the landlord; providing for the  
8 application of this Act; and generally relating to security deposits under  
9 residential leases.

10 BY repealing and reenacting, without amendments,  
11 Article - Real Property  
12 Section 8-203(d)  
13 Annotated Code of Maryland  
14 (1996 Replacement Volume and 2002 Supplement)

15 BY repealing and reenacting, with amendments,  
16 Article - Real Property  
17 Section 8-203(e) and (h)  
18 Annotated Code of Maryland  
19 (1996 Replacement Volume and 2002 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
21 MARYLAND, That the Laws of Maryland read as follows:

22 **Article - Real Property**

23 8-203.

24 (d) (1) (i) The landlord shall maintain all security deposits in federally  
25 insured financial institutions, as defined in § 1-101 of the Financial Institutions  
26 Article, which do business in the State.

1 (ii) Security deposit accounts shall be maintained in branches of  
2 the financial institutions which are located within the State and the accounts shall be  
3 devoted exclusively to security deposits and bear interest.

4 (iii) A security deposit shall be deposited in an account within 30  
5 days after the landlord receives it.

6 (iv) The aggregate amount of the accounts shall be sufficient in  
7 amount to equal all security deposits for which the landlord is liable.

8 (2) (i) In lieu of the accounts described in paragraph (1) of this  
9 subsection, the landlord may hold the security deposits in insured certificates of  
10 deposit at branches of federally insured financial institutions, as defined in § 1-101 of  
11 the Financial Institutions Article, located in the State or in securities issued by the  
12 federal government or the State of Maryland.

13 (ii) In the aggregate certificates of deposit or securities shall be  
14 sufficient in amount to equal all security deposits for which the landlord is liable.

15 (3) In the event of sale or transfer of the landlord's interest in the leased  
16 premises, including receivership or bankruptcy, the landlord or the landlord's estate,  
17 but not the managing agent or court appointed receiver, shall remain liable to the  
18 tenant and the transferee for maintenance of the security deposit as required by law,  
19 and the withholding and return of the security deposit plus interest as required by  
20 law, as to all or any portion of the security deposit that the landlord fails to deliver to  
21 the transferee together with an accounting showing the amount and date of the  
22 original deposit, the records of the interest rates applicable to the security deposit, if  
23 any, and the name and last known address of the tenant from whom, or on whose  
24 behalf, the deposit was received.

25 (4) Any successor in interest is liable to the tenant for failure to return  
26 the security deposit, together with interest, as provided in this section.

27 (e) (1) Within 45 days after the end of the tenancy, the landlord shall return  
28 the security deposit to the tenant together with simple interest which has accrued  
29 EITHER in the amount of 4 percent per annum, OR AT THE RATE PAID ON THE  
30 ACCOUNT BY THE FINANCIAL INSTITUTION, WHICHEVER IS LESS, AND less any  
31 damages rightfully withheld.

32 (2) Interest shall accrue at six-month intervals from the day the tenant  
33 gives the landlord the security deposit. Interest is not compounded.

34 (3) Interest shall be payable only on security deposits of \$50 or more.

35 (4) If the landlord, without a reasonable basis, fails to return any part of  
36 the security deposit, plus accrued interest, within 45 days after the termination of the  
37 tenancy, the tenant has an action of up to threefold of the withheld amount, plus  
38 reasonable attorney's fees.

1           (5)       THE LANDLORD MAY RETAIN 0.25 PERCENT OF THE ACCRUED  
2 INTEREST AS AN ADMINISTRATIVE EXPENSE.

3       (h)       (1)       The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this  
4 section are inapplicable to a tenant who has been evicted or ejected for breach of a  
5 condition or covenant of a lease prior to the termination of the tenancy or who has  
6 abandoned the premises prior to the termination of the tenancy.

7           (2)       (i)       A tenant specified in paragraph (1) of this subsection may  
8 demand return of the security deposit by giving written notice by first-class mail to  
9 the landlord within 45 days of being evicted or ejected or of abandoning the premises.

10                   (ii)       The notice shall specify the tenant's new address.

11                   (iii)       The landlord, within 45 days of receipt of such notice, shall  
12 present, by first-class mail to the tenant, a written list of the damages claimed under  
13 subsection (f)(1) of this section together with a statement of the costs actually  
14 incurred and shall return to the tenant the security deposit together with simple  
15 interest which has accrued EITHER in the amount of 4 percent per annum, OR AT THE  
16 RATE PAID ON THE ACCOUNT BY THE FINANCIAL INSTITUTION, WHICHEVER IS LESS,  
17 AND less any damages rightfully withheld.

18           (IV)       THE LANDLORD MAY RETAIN 0.25 PERCENT OF THE ACCRUED  
19 INTEREST AS AN ADMINISTRATIVE EXPENSE.

20           (3)       (i)       If a landlord fails to send the list of damages required by  
21 paragraph (2) of this subsection, the right to withhold any part of the security deposit  
22 for damages is forfeited.

23                   (ii)       If a landlord fails to return the security deposit as required by  
24 paragraph (2) of this subsection, the tenant has an action of up to threefold of the  
25 withheld amount, plus reasonable attorney's fees.

26           (4)       Except to the extent specified, this subsection may not be interpreted  
27 to alter the landlord's duties under subsections (e) and (g) of this section.

28       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be  
29 construed to apply only prospectively and may not be applied or interpreted to have  
30 any effect on or application to any residential lease entered into before the effective  
31 date of this Act.

32       SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
33 October 1, 2003.